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ABSTRACT

This brief report describes funding structures for public schools in North Carolina. It is divided into three sections: state, local, and federal. Following are some highlights from the report. Overall, the state provides 70 percent of school funding, with most of the money designated for professional salaries. The state average per pupil expenditure at the time the report was prepared was $6,284. The lowest contribution made by a county at the time the report was prepared was $83; the highest was $3,684. The range for total per pupil expenditures on the local level at the time the report was prepared was $5,129 to $11,367. In 1999, 49 percent of federal funds were used for special populations, low-income children, the state's fund to meet the national education goals; 32 percent was used for food programs; and 19 percent for such things as teacher professional development, job-training programs, and class-size reduction. The report includes 3 graphs and 11 print and Web sources. (WFA)

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Public School Funding in North Carolina.

Enid Beverley Jones

April 2003

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Public School Funding in North Carolina

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At

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Public School Funding in North Carolina

In "The History of Education in North Carolina" the Department of Public Instruction outlines the skeleton of public school funding in North Carolina today. The basis of the system today began in 1931 with the enactment of the School Machinery Act which embodies Chapter 115C of the General Statutes of North Carolina. Under this act "the General Assembly undertook the gigantic task of providing a free and uniform education to all children" (p. 14) in the state. This meant the state would provide funding for operating costs. Counties were however, still to provide school facilities and support to maintain their local buildings. This was done in recognition of the inability of counties to provide funding for education during and after the great depression. Thus the county became the basic governmental unit for operating public schools.

Current Funding Structure - State

Overall the state provides 70 percent of school funding with the most of the money designated for professional salaries. The percentage of state contributions, of course varies with the county/district's wealth. Although public school funding has been increasing, local education agencies (LEAs) are actually getting less of the general fund appropriations than a few years ago. Since 1970 the proportion has fallen by 11.6 percent. In 1985 the General Assembly attempted to reverse the trend by increasing the funding levels of the per pupil amount. However, the new program was never fully funded so that goal was not achieved. Each LEA is given an allotment based on ADM for guaranteed positions such as those for teachers, principals, assistant principals, counselors and superintendents. There are additional dollar allotments for support positions such as teacher assistants, textbooks, supplies, etc. and categorical allotments for specific population or services. Teachers and transportation for exceptional children would fall into this latter category. There is additional funding under the state's accountability incentive program and for school assistance teams. More permanent additional funds are allotted to low wealth and small counties in the system. (http://www.ncpublicschools.com). The current state average per pupil expenditure is $6,284. This figure masks the differences between districts because the method of funding favors larger school districts that can benefit from economies of scale, and wealthy districts that have 40 percent of the school-age population receive a large share of the allotments. Since state allotments seem insufficient to meet necessary operating costs of LEAs so the districts ability to supplement school funds in of itself creates inequities. The North Carolina House Budget Draft for Public Schools released in April this year showed that the bottom line for public schools is net recurring reductions of ($154,424,401), net nonrecurring increases of $69,500,000. (http://www.ncpublicschools.com)

A later report from a legislative budget meeting held in May showed that the state will receive about $510 million in federal money as a result of new federal legislation and that the House proposes to use the new funds, which are non-recurring, to add $2 million to funds available for education. This windfall resulting from the new federal tax law could well close the state budget shortfall and restore education funding to it initial amount for 2003-2004 academic year.

Current Funding Structure - Local

Clearly local funding will vary with the wealth and fiscal capacity of the county/district. The lowest contribution made by a county is $83, the highest is $3,684 while the range for total per pupil expenditure is from $11,367 to $5,129. The proportion of local funds spent on education varies with the non-educational demands on the counties' funds. Property poor districts tend to have more factors contributing to municipal overburden as local funds have to also cover such services as jails, waste disposal, matching funds for state-mandated welfare payments. For example one of the low wealth districts in the equity law suit in North Carolina spends about 32 percent of its funds on human services and 15 percent on education, while one of the wealthier school district spends 39 percent on education and 18 percent on human services.

The results of the disparities in wealth are clearly seen in an analysis done by the North Carolina Department of Public Instruction. Using family income as a measure of wealth and SAT scores as achievement indicator, the department showed that the higher the family income the higher the student's mean total SAT score. Further, there has been very little change from year to year in the mean total SAT score within each family income category. In 2001 there was a downward trend in scores at the lower two income categories while the relative difference in mean total SAT score between family income categories remained fairly stable from 1994 to 2001.

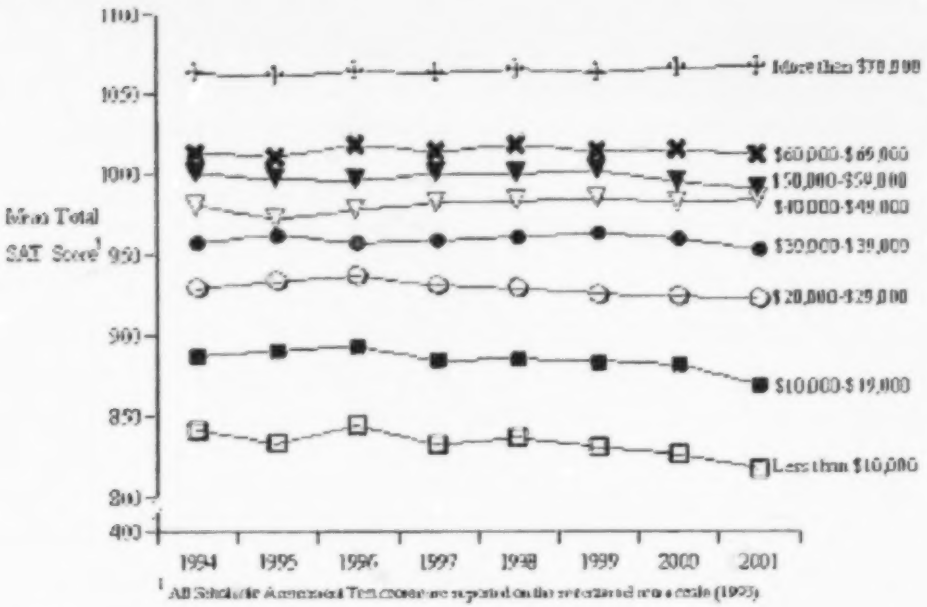

Figure 1. Mean SAT scores for North Carolina by Family Income 1994-2001

The department also reported that mean total SAT scores tend to increase for all racial/ethnic groups with increasing family income. (http://www.ncpublicschools.com). It is no surprise that low-wealth districts are unable to offer the full range of courses that their wealthy counterparts do. The judge in the Leandro case recognized this lack in Hoke County/District when he required a review of the system in this district. To deal with the issues raised in the law suit the North Carolina Department of Public Instruction recommended that this district include more rigorous academic programs for high school graduation; provide access to more elective courses from six academic areas that have a known positive correlation with higher SAT scores; and choose to expend more resources on core academic courses and less on specialized and no academic courses - a decision that is local one. Many of the low wealth districts lack adequate facilities and funds to improve the buildings or build new ones. Apart from the obvious need for space there is the greater disadvantage of the lack of infra structure for modern technology in style and equipment and the greater the inability to maintain what little technological systems that are in place.

Per pupil expenditure (PPE) in the county/districts involved in the lawsuit provides an interesting picture when viewed from two perspectives - per pupil expenditure in 1991

and 2000 and per pupil expenditure by a 5-year average of capital outlay for the same years, as seen in Figures 2 and 3. As is expected the differences between PPE in low and high wealth districts are evident, but what is also evident is the change between 1991 and 2000 expenditures in the high wealth districts compared to that of the low wealth districts. Seemingly only one low wealth district has seen any major increase in funding.

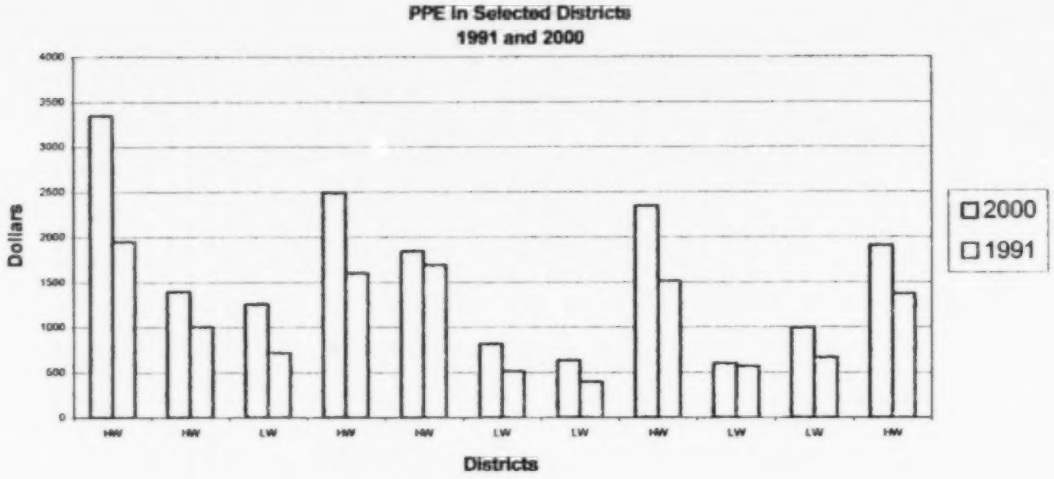

Figure 2: Per pupil expenditure by districts for 1991 and 2000.

In Figure 3, a comparison between years in any given district has to be viewed in the context of major building projects that might have been undertaken in any year. Still within that context, the low wealth districts in the law suit who were in fact lacking adequate facilities and infra structure have not out stripped their high wealth counterparts in per pupil expenditure for capital outlay. Increases in the former districts could well represent expenditure as an attempt to catch up to needs but not enhancement or innovations of facilities.

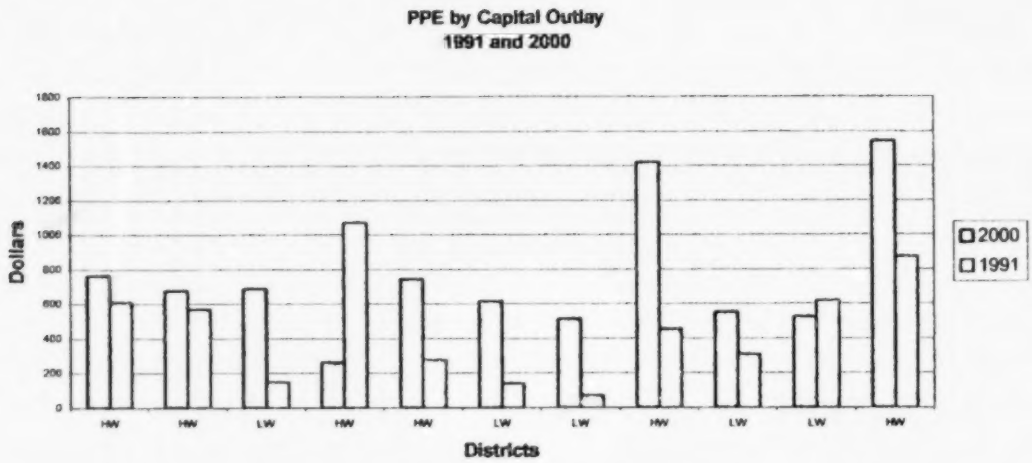

Figure 3: Per pupil expenditure and capital outlay (5 year average) by districts for 1991 and 2000.
Note: HW refers to high wealth districts that were included in the lawsuit as city intervenors because of non-educational spending needs in the inner cities of these districts. LW refers to the low wealth districts that filed the lawsuit.

The Public School Forum (2002) reports that the difference in capital spending between the top and bottom spending counties has grown 89 percent since 1997 and since 1997 the average capital expenditures for the bottom spending counties has decreased from $205 to $187. The courts have long recognized the importance of facilities in the equity equation and now in the move toward adequacy, however states have not been able to improve the situation by either traditional or innovative means. This is because the wealth of the local district is still a disequilibrating factor.

Current Funding Structure - Federal

The reauthorization of ESEA as the NCLB Act represents increasing federal role in public education in the area of oversight as well as federal funding. NCLB requires state standards, tests to measure against the standards and sanction to the results. (Pettersen, 2002). States that have accountability programs in place will still have to make adjustments to meet the adequate yearly progress requirements, especially in the data collection and reporting arena. The cost is already being calculated and even though the federal government has authorized an additional $10 billion for education over the next five years the states will have to carry a huge part of the financial burden. In previous years the federal government has not been shy in coming forward to support low-income families through various programs. The district with the lowest contribution in local funding is also the district receiving the largest amount of federal funds in North

Carolina. The wealthiest districts have approximately 32 percent of the children on free and reduced lunch program while 65 percent of the children in poorer districts are on the program. Forty nine percent of federal funds in 1999 were used for special populations and low-income children as well as the state's fund to meet the national education goals; 32 percent was used for food programs and 19 percent for such things as teacher professional development, job training programs, and class size reduction. (Public School Forum of North Carolina, 2002). It is also true that the presence of federal funds has generated more state funds for certain programs. In all federal funds represent about eight percent of total funding.

Conclusion

To date funding reform may have contributed equity in school funding but very little impact has been made to the level of adequacy in school districts that really need more resources. North Carolina is really no different from other states in the same situation. Although some changes have been possible through the current reward and incentive efforts under the ABC accountability education program.

Perhaps we do not really know how to solve the problem, but the achievement gap, in the meantime, remains and graduates of poorer school districts are leaving school less equipped to compete. Clearly the current budget crisis in most states will not help the finance reform effort nor will the requirements under the NCLB Act. The true outcome of the Leandro case is the courts reference to the need for more efficient use of existing funds and the requirement to provide more pre-school education. Further, as one Supreme Court Justice maintained "the inability or indifference of local governments to provide funds does not excuse the General Assembly from a duty specifically imposed on it by the Constitution. In other words the General Assembly can no longer sit on its hands in the face of a local district's inability to fund its schools adequately. Rather it is the states responsibility to do so. The state will have to be more efficient in its use of improvement funds, especially targeting need rather than investing in all students in the usual fashion, and in focusing on professional development for teachers in needy districts. After all, the road to adequacy seems to be through addressing students' needs.

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